



IPO Note

Pranik Logistics Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Pranik Logistics Limited was originally incorporated on Feb 24, 2015. The registered office is located at Kolkata, West Bengal.
- **Business Activity:** The company is engaged as carrying and forwarding agent providing end-to-end Logistics solutions i.e. from the point of origin to the point of consumption.
- **Revenue Stream:** The company derives majority of its revenue from carrying and forwarding activities.
- **Human Resource:** The company has 625 permanent employees as on Sep 30, 2024.

Objects of the Issue -

- Investment in Technology/ERP
- Capital Expenditure
- Working capital requirements
- General Corporate Purposes

Promoters Name -

Pranav Kumar Sonthalia, Shradha Kumari and Minal Sonthalia

Rationale for recommendation -

- ✓ The PE ratio is 19.37 post-issue which makes it slightly highly priced.
- ✓ The company's bottom line and profitability margins have seen sudden increase over the years and might not be sustainable in the future.
- ✓ The company has high concentration of customers and high geographic concentration.
- ✓ The management overview is decent as the promoters have less experience.
- ✓ The DE ratio is high over the years.
- ✓ The industry is highly fragmented.

IPO Details

Opening Date	Oct 10, 2024
Closing Date	Oct 14, 2024
Allotment Date	Oct 15, 2024
Listing Date	Oct 17, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹73 to ₹77
Issue Size	22.47 Cr.
Fresh Issue	22.47 Cr.
Offer for Sale	-
Application Amt	₹ 1,23,200 (1,600 shares)

INDUSTRY - Logistics P/E ratio of peer - 13.94

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Jun-24
Revenue	3,346.73	6,052.70	6,683.93	2,230.90
EBITDA	83.38	307.22	848.04	1,851.34
Net Profit	31.54	93.23	406.56	108.91
RoCE	12.32%	19.28%	47.74%	118.54%
ROE	8.67%	12.66%	35.56%	8.70%
P/E	63.64	44.51	10.21	14.42*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post
99.99%	73.49%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	7.54	3.97
BVPS	21.19	34.77
P/E	10.21	19.37
P/BV	3.63	2.21
Mkt Cap (In Cr)	62.31	84.78

*Annualized

Lead Managers -

Narnolia Financial Services Limited

Registrar -

Maashitla Securities Private Limited

Business Overview -

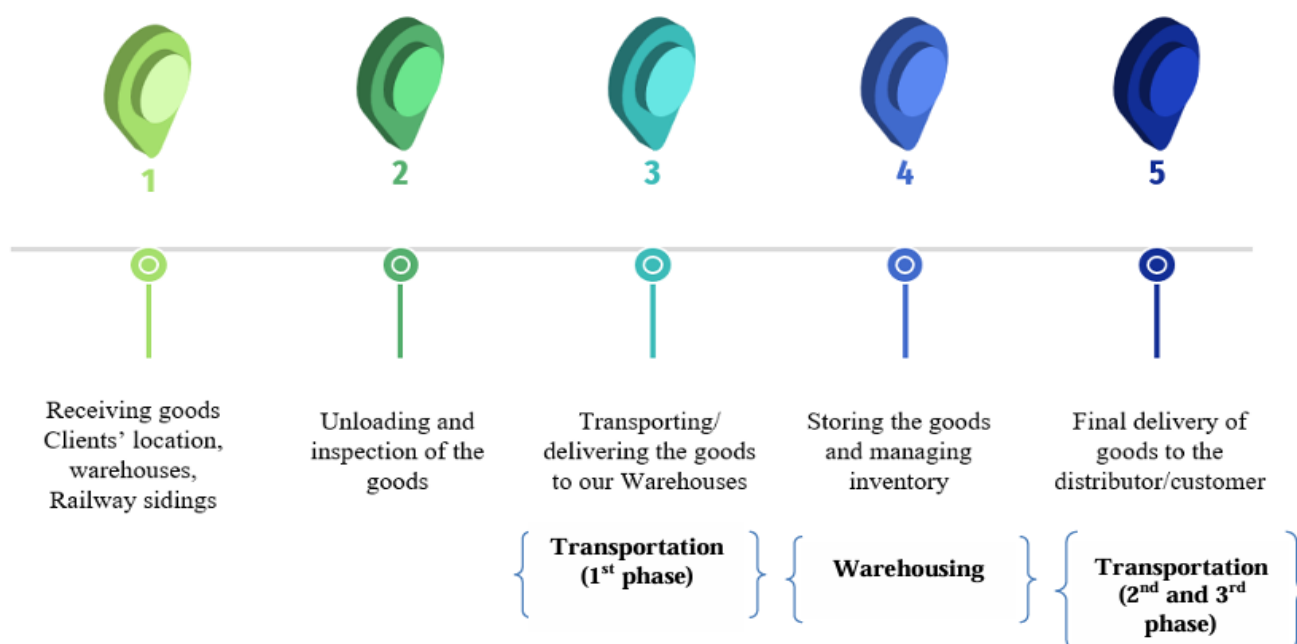
Pranik Logistics Limited is engaged as carrying and forwarding agent providing end-to-end Logistics solutions i.e. from the point of origin to the point of consumption. They provide integrated services including transportation, warehousing, material handling and freight forwarding to customers belonging to various industries such as Retail, Customer Durables, Telecom, Manufacturing, Pharma, etc. The company is based in Kolkata and has implemented Logistics & Warehousing solutions in over 13 states of India. They have 30 warehouses and own 80 vehicles.

Clients: Their well-known client base includes Too Yumm, VIP, Zepto, Moglix, Zomato, Max etc.

Service Portfolio:

Service	Description
Carrying and forwarding agents	It includes receiving goods from client locations/ warehouses/ railway sidings, etc., unloading and inspecting them and transporting those goods to warehouses. Thereafter, they store these goods ensure timely dispatch of the goods to their designated destinations.
Godown rent	Sub- leasing certain warehouses/ vacant spaces within existing warehouses.
Manpower charges	Providing manpower resources at client’s warehouse locations, etc.
Storage and warehouses charges	Independent warehousing services to clients.
SPA income	Revenue from Selling and promotion activities. The revenue generated from this source is allocated towards organizing events like Holi or Diwali gatherings and other dealer meetings. Additionally, it is utilized for gifting dealers/ vendors on occasions such as weddings. This revenue is typically spent with minimal margins and is considered a value-added service provided to the companies involved.

Business Process –



Utilization of Net Proceeds –

The net proceeds of the issue will be utilized for investment in technology/ ERP (Rs. 80 lakhs) where they will be spending it in the development of “Logistics Management App”, capital expenditure (Rs. 220 lakhs) where they will be setting up new warehouses, working capital management (Rs. 1,200 lakhs) and remaining for general corporate purposes.

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of service quality, technical ability, performance record, experience, health and safety records and the availability of skilled personnel.
- 2. Geographic Competition:** The company faces competition from small, big, unorganized and established players in both domestic and international market.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

- The company intends to add a significant number of branches and warehouses in northern, central and western regions of India. They also intend to increase their fleet size.
- The company intends to develop in-house systems for better operational control. They also want to introduce preventive and predictive maintenance software for their clients.

Risk Factors -

The company's significant portion of revenue is derived from top 10 customers which contributed to 94.16%, 92.72%, 84.97% and 94.94% for FY2022, 2023, 2024 and Jun-2024 respectively.

The company has geographic concentration and top 5 states (West Bengal, Jharkhand, Maharashtra, Bihar and Orissa) contributed 94.27%, 83.52%, 80.42% and 77.40% for FY2022, 2023, 204 and Jun-24 respectively.

The company has cases against it for tax matters amounting to Rs. 286.06 lakhs

The promoters of the company have cases against them regarding tax matters amounting to Rs. 5.06 lakhs.

The company has contingent liabilities of Rs. 93.00 lakhs.

PEER ANALYSIS -

Particulars	Pranik Logistics Limited			S J Logistics (India) Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.94%	1.54%	6.08%	-	5.65%	8.27%
EBITDA Margin	2.49%	5.08%	12.69%	-	9.46%	11.68%
RoCE	12.32%	19.28%	47.74%	-	21.37%	117.35%
ROE	8.67%	12.66%	35.56%	-	24.46%	20.18%
EPS (INR)	1.21	1.73	7.54	-	25.85	20.03
P/E	63.64	44.51	10.21	-	-	13.94

Interpretation -

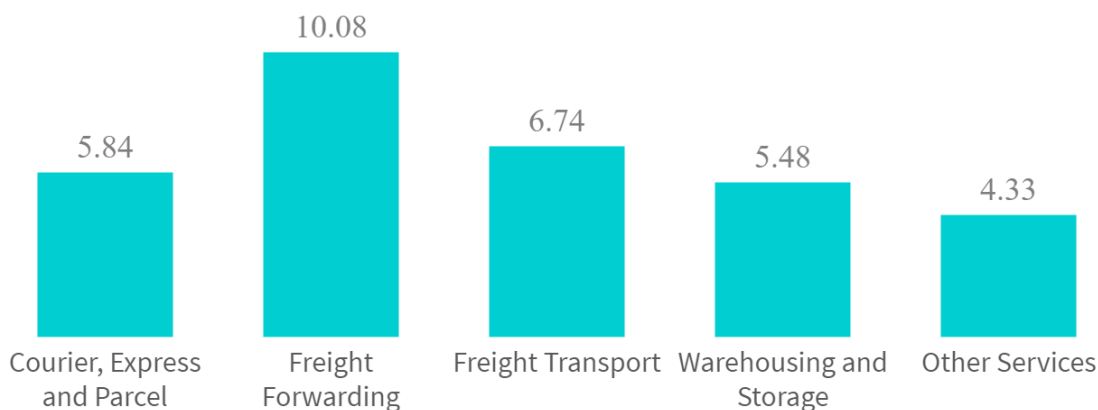
- The market cap of the company is less compared to S J Logistics (India) Limited.
- The debtors' days for the company is higher compared to its peer.
- The RoCE of the company has increased over the years whereas the peer company has seen a sudden increase in FY2024.
- The RoE of the company has increased over the years whereas peer company has seen a slight dip in FY2024.
- The PE ratio of the company is less compared to its peer.

INDUSTRY OVERVIEW –

Logistics Industry in India -

The India logistics market size reached US\$ 282.3 Billion in 2023. Looking forward, the market is expected to reach US\$ 557.4 Billion by 2032, exhibiting a growth rate (CAGR) of 7.85% during 2024-2032. The significant expansion in the e-commerce and online retail industry, the implementation of favourable government policies encouraging the adoption of logistics services, and emerging technological advancements are some of the major factors contributing to the market growth.

India Freight And Logistics Market, CAGR, %, By Function, 2023 - 2029



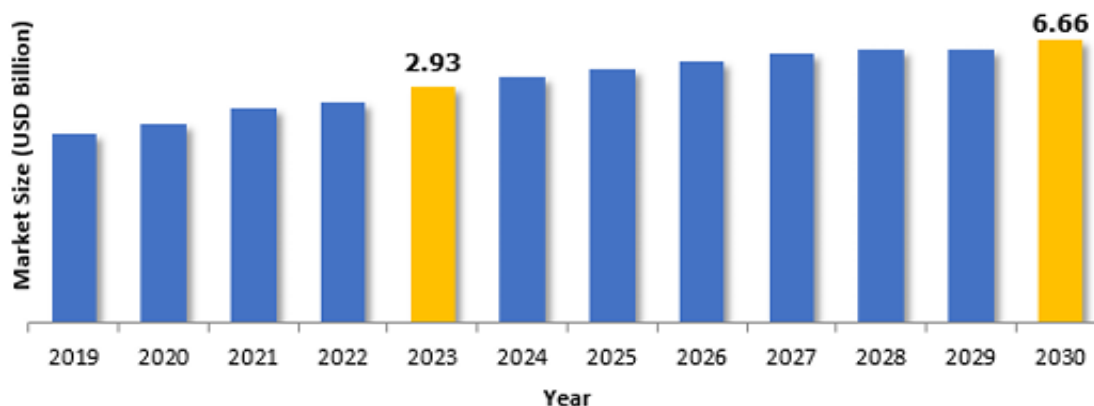
Source : Mordor Intelligence



Indian Smart Warehousing Market –

India Smart Warehousing Market size was estimated at USD 2.93 billion in 2023. During the forecast period between 2024 and 2030, the size of India Smart Warehousing Market is projected to grow at a CAGR of 14.65% reaching a value of USD 6.66 billion by 2030. Major growth drivers for the India Smart Warehousing Market include the growing multi-channel distribution networks, an increasing emphasis on environmentally friendly initiatives and rising sustainability measures to reduce waste.

India Smart Warehousing Market Size, By Value (USD Billion), 2019–2030



(Source: RHP)

Key Management -

- The overall management of the company is decent.
- The promoter and management have decent experience in the industry.
- Sujay Kundu (CFO) has 13 years of experience in accounts and finance.



Key Management Persons Name -	Pranav Kumar Sonthalia
Age	29
Designation	Promoter and Managing Director, 9 years of experience in logistics and transportation industry
Qualification	B. Com degree, Postgraduate In Family Managed Business
Responsibility	Involved in planning and implementing budgets, strategic initiatives and employee training programs.
Other Directorships	-

Key Management Persons Name -	Shradha Kumari
Age	23
Designation	Promoter and Executive Director, 5 years of experience in logistics industry
Qualification	Bachelor in Retail Management
Responsibility	Looks after the overall management and operational efficiency of the Company
Other Directorships	-

Key Management Persons Name -	Minal Sonthalia
Age	27
Designation	Promoter and Non-Executive Non-Independent Director, 3 years of experience in logistics industry
Qualification	Bachelor of Education and Master of Commerce
Responsibility	Involved in analysis of industry trends and assisting the board in making equitable decisions.
Other Directorship	-

Key Management Persons Name -	Nimisha Bhadrakumar Shah
Age	50
Designation	Independent Director, 24+ years of experience in finance
Qualification	Chartered Accountant
Other Ventures	Founder of Dealers E-Drive Consultancy

Key Management Persons Name -	K G Raghuraman
Age	62
Designation	Independent Director, 20+ years of experience in End-to-End Supply Chain Management
Qualification	Master of Business Administration
Previous Associations	Head of logistics department in Samsung India Electronics, Gurgaon.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	3,346.73	6,052.70	6,683.93	2,230.90
Other Income	14.23	37.92	86.15	17.99
Total Income	3,360.96	6,090.62	6,770.08	2248.89
Expenses				
Employee Benefit Expenses	440.02	810.27	1,208.46	292.03
Finance Cost	23.21	81.10	171.04	33.42
Depreciation and Amortization Expense	26.35	128.66	206.10	54.11
Other expenses	2,823.33	4,935.21	4,627.43	1,723.93
Total Expenses	3,312.91	5,955.24	6,213.03	2,103.49
EBITDA	83.38	307.22	848.04	1,851.34
EBITDA Margin	2.49%	5.08%	12.69%	82.99%
Profit/(Loss) before tax	48.05	135.38	557.05	145.40
Tax Expense				
Current tax	15.65	41.04	157.61	39.52
Deferred Tax	0.86	1.11	-7.12	-3.03
Total Tax	16.51	42.15	150.49	36.49
Profit/(Loss) for the year	31.54	93.23	406.56	108.91
Net Profit Margin	0.94%	1.54%	6.08%	4.84%

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	260.00	539.45	539.45	809.18
Reserves and surplus	103.95	197.18	603.74	442.91
Total Equity	363.95	736.63	1,143.19	1,252.09
2. Non-current liabilities				
Long-term borrowings	98.76	189.38	201.59	264.01
Total Non-current liabilities	98.76	189.38	201.59	264.01
3. Current liabilities				
Short-term Borrowings	479.11	1,192.71	1,582.36	1,697.82
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	367.58	45.02	111.00	221.46
Other Current Liabilities	69.27	147.95	372.55	358.45
Short-term provisions	25.81	41.05	157.61	48.92
Total Current liabilities	941.77	1,426.73	2,223.52	2,326.65
Total Liabilities	1,040.53	1,616.11	2,425.11	2,590.66
Total Equity and Liabilities	1,404.48	2,352.74	3,568.30	3,842.75
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	131.90	382.21	395.40	470.45
Deferred Tax Assets (Net)	3.39	2.29	9.40	12.43
Other Non-Currents Assets	79.13	89.97	119.28	125.23
Total Non-Current assets	214.42	474.47	524.08	608.11
2. Current assets				
Trade Receivables	658.53	1,086.13	1,961.28	2,302.45

Particulars	FY 22	FY 23	FY 24	Jun-24
Cash & Cash equivalents	303.93	580.36	854.42	839.20
Short term loans and advances	217.86	187.30	153.30	43.89
Other Current Assets	9.76	24.46	75.21	49.10
Total Current assets	1,190.08	1,878.25	3,044.21	3,234.64
Total Assets	1,404.50	2,352.72	3,568.29	3,842.75

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	161.34	348.01	598.32	73.94
Net Cash Flow from Investing Activities	-128.58	-349.68	-165.42	-118.16
Net Cash Flow from Financing Activities	54.96	278.12	-158.82	29.00

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	1.21	1.73	7.54	EV/EBITDA	7.65	5.01	2.44
BV per share	14.00	13.66	21.19	Market Cap / Sales	2.53	1.40	1.27
Operating Ratios				P/E	63.64	44.51	10.21
EBITDA Margins	2.49%	5.08%	12.69%	Price to Book Value	5.50	5.64	3.63
PAT Margins	0.94%	1.54%	6.08%	Solvency Ratios			
Inventory days	-	-	-	Debt / Equity	1.59	1.88	1.56
Debtor days	71.82	65.50	107.10	Current Ratio	1.26	1.32	1.37
Creditor days	-	-	-	Quick Ratio	1.26	1.32	1.37
Return Ratios				Asset Turnover	2.38	2.57	1.87
RoCE	12.32%	19.28%	47.74%	Interest Coverage Ratio	2.46	2.20	3.75
RoE	8.67%	12.66%	35.56%				

INTERPRETATION –

- The top line has increased over the years. In FY2023 there was a sudden increase by 81% which was due to increase in orders within the Carrying and Forwarding services and has incorporated new and larger clients. In FY2024, it increased by 10% which was due to increase in orders within the Carrying and Forwarding services.
- The net profit has increased over the years by 196% in FY2023 and 336% in FY2024. This huge jump for both the years was due to new carrying and forwarding agents, effective cost control, purchasing vehicles which lead to reduced freight and forwarding charges and reducing their dependency on third party fleet.
- The EBITDA margin and PAT margin has seen a sudden increase in FY2024.
- The RoCE and ROE have increased over the years.
- The PE ratio has improved over the years.
- The DE ratio for FY2023 has been high.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Narnolia Financial Services Limited.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Narnolia Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Divyadhan Recycling Industries Limited	24.17	64.00	Oct 04, 2023	88.20
2.	Share Samadhan Limited	24.06	74.00	Sep 16, 2019	61.93
3.	Aesthik Engineers Limited	26.47	58.00	Aug 16, 2024	78.05
4.	Ztech India Limited	37.30	110.00	June 05, 2024	440.15
5.	Radiowalla Network Limited	14.25	76.00	April 05, 2024	115.05
6.	Addictive Learning Technology Limited	60.16	140.00	Jan 30, 2024	384.35
7.	Akanksha Power and Infrastructure Limited	27.49	55.00	Jan 03, 2024	170.75
8.	Supreme Power Equipment Limited	46.67	65.00	Dec 29, 2023	244.25
9.	WomanCart Limited	9.56	86.00	Oct 27, 2023	308.15
10.	Inspire Films Limited	21.23	59.00	Oct 05, 2023	32.40

The company has handled 13 mandate in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 7th Oct 2024.

As per the offer document, the above-mentioned mandates Ztech India Limited has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Pranik Logistics Limited has been in the industry since 2015 and has decent experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 19.37 times which makes it slightly highly priced.

The company's top line had seen sudden increase in FY2023. The bottom line had seen huge jump for FY2023 and FY2024. Also, the profitability margins have seen a sudden increase in FY2024. These sudden increase raises concern and might not be sustainable in the long run.

The company has high concentration of customers and also has high concentration in few states.

The logistics industry is highly competitive and fragmented and there are many established players.

Thus, investors can **AVOID** this IPO.

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